Executive Summary

In October 2002, Lincoln Mayor Don Wesely launched a community process to look at how we pay to maintain and build the City's public infrastructure. This effort looked at the following infrastructure categories:

U streets and highways
U water
U wastewater
U stormwater
U parks and trails

At the center of this process was the Mayor's Infrastructure Finance Committee – or MIFC. Three working groups were later added to aid the Committee with their assignment. Nearly 50 Lincoln area residents actively participated in this program. The MIFC and its work groups have now completed their work. Their recommendations are contained in this summary and in the report that follows.

Keeping and expanding Lincoln's infrastructure at the quality level we desire as a community is a challenging task. Certainly there are existing resources available to aid in this task. However, additional funds – in the form of increased user fees, additional tax levies, and development contributions – will be needed if we are to realize our community's long term goals. At the same time, we need to be efficient in how we apply these resources to make certain that we are using these funds wisely.

All in all, this is not an easy story to bring to the community. But it is a realistic one. It is a reality the City of Lincoln must address today to ensure the facilities will be in place tomorrow.

Mayor's Charge to the Committee

In starting the process, the Mayor set forth several fundamental ground rules. These basic premises were contained in a "Charge Statement" the Mayor issued to the Committee and Work Groups. These included:

> The City-County Comprehensive Plan must form the foundation for looking at growth issues.

Any financing package recommended by the MIFC must reflect a "balanced funding approach" -- with everyone in the community contributing their fair share to the solution.

The priorities were to, first, keep Lincoln's existing infrastructure facilities in good shape; second, build projects of broad community benefit (Beltways and Antelope Valley); and, finally, construct projects that further planned urban growth.

Impact fees must be assumed a part of available future revenues.

MIFC Preamble

In crafting their final recommendations, the Mayor's Infrastructure Finance Committee arrived at several overriding conclusions:

The MIFC recommendations are a **"complete package."** The recommendations are to be viewed in their entirety. Removing or materially altering any of them would – in the Committee's view – undermine the completeness of the approach.

City government should maintain a **constant planning horizon of 12 years** for these infrastructure improvements based upon the most optimal scenario for cost effective design and construction, and tie the Comprehensive Plan and Capital Improvement Program (CIP) for capital budgeting.

The financing challenges facing Lincoln must be contributed to by a **range of constituents**, including the community as a whole, infrastructure users, and the development community. All three must bear their **"fair share."**

Impact fees must be considered part of the funding mix. Should impact fees be eliminated for whatever reason, a timely replacement funding source contributed from future development must be found. If impact fees are done away with and no replacement funding source from the development community is obtained, the community consensus underlying the MIFC's recommendations are considered to be null and void.

Inflation was not factored into the cost and revenue figures. During the program's implementation, the impact of inflation on costs and revenue needs to be considered.

Cost Savings and Efficiency

The MIFC process looked beyond the issue of just finding more money to build and maintain infrastructure. It also looked seriously at how we can be as efficient as possible in the way we plan, build, and maintain public infrastructure facilities. The ideas listed below are estimated to save $35 million in "hard savings," $100 million in "deferred savings," and an undetermined amount in "soft savings."

The "Cost Savings and Efficiency" are divided into three major areas dealing with: (1) Big Picture Policies, that considered broad public policies; (2) Systems and Processes, that considered procedures for how the City procures, builds and maintains public infrastructure; and, (3) Infrastructure Elements, that considered specific details of design and construction.

Big Picture Policies

- Achieve savings by following the Comprehensive Plan's infrastructure program
- Closely tie Comprehensive Plan and City's Capital Improvements Program (CIP)
- Phase infrastructure as needed -- protect and obtain future right-of-way per Comprehensive Plan
- Develop policies for requests not in conformance with Comprehensive Plan
- Selective use of force mains and lift stations -- have developers share in the costs of such facilities
- Replace temporary force mains and lift stations with gravity flow services over time
- Limit use of temporary wastewater services to very specific and unique situations
- Look at "special funding districts" for infrastructure improvements not covered by impact fees
- Examine differences in costs between Executive Orders and Special Assessment Districts

Systems and Processes

- Lump construction projects into single bids to encourage efficiencies
- Consider "indefinite delivery contracts" for professional and construction services
- Have City Council use "Statement of Intents" for multi-year contracting
- Work with Lancaster County to acquire right-of-way in advance of development

— Ensure staff are available to complete ROW acquisition in a timely manner
— Give priority to complete engineering drawing over partial plans
— Put responsibility on private developer and design team to comply with guidelines
— Ensure adequate resources for inspection/observation program
— Provide inspectors/observers with greater authority
— Examine ways to enhance cooperation among City departments and other agencies
— Consider ways to streamline platting process
— Pursue Federal and State funds through City's grant writing program

Infrastructure Elements

— Phase construction of arterials by building "outside-in" to eliminate costly relocation
— Coordinate future street grades with Lancaster County
— Make efficient use of paved county roads as the City phases in urban improvements
— Retain 28 foot medians, while assuming fewer dual left turn lanes
— Use grading as a way to minimize retaining walls along arterials

— Reduce the number of traffic and pedestrian signals along arterials
— Bury overhead distribution lines as part of arterials projects in growth areas
— Require utilities to move and bear the relocation cost for mains or lines in public ROW
— Retain present standard requiring sidewalks along arterials as part of platting process
— Eliminate street tree bonds and seek payment in advance as a subdivision requirement
— Require home builder or buyer to install street trees

Finance

Simply put . . . future revenues are insufficient to build and maintain the infrastructure we need to grow and to keep the quality of life for our existing neighborhoods. Substantial funding gaps exist in all the infrastructure categories over the next 12 years.

Water and Wastewater

Over the 12 year planning period, both the water and wastewater systems will need to raise about $132 million each in additional revenues to meet projected needs. (Note: Inflation is not factored into these projections.)

- The City needs a disciplined approach for systematically adjusting water and wastewater rates. Increased revenues should be used to support revenue bonds to pay for needed facilities.
- Rate increases should provide sufficient funds to meet capital needs without imposing unreasonable increases.

- Water and wastewater rate increases -- based on current projections and assumed other income -- of 3% to 5% per year should be adequate to finance growth over the next 12 years.
- At no time should rate increases exceed 5% a year, and increases should not be proposed to occur each year.
- Water and wastewater facilities should advance the urban growth shown in the Comprehensive Plan.
- The City should adjust the financing terms (i.e., years to pay back bonds) of revenue bonds to reflect market conditions and the economic life of the assets.
- The City should manage "debt service coverage ratio" within a range of 1.65% and 1.75%.
- The City should work to maintain its current high bond ratings.
- The City should recognize that the issuance of long term debt today may impact its ability to issue similar bonds in the future.
- The City should prepare and annually update a long-range financial plan.
- The City should compare its utility rates on a periodic basis with other communities to ensure it is remaining competitive.

Streets and Highways

Over the 12 year planning period, the street and highway system will need to raise about $225 million in additional revenues to meet projected needs. (Note: Inflation is not factored into these projections.)

- Raise current wheel tax by $5 per vehicle over a seven year period, with increases 2004, 2007, and 2010. Total increase would be $15. This raises about $29.8 million over 12 years.

- Institute an "Occupation Tax" on the retail sale of fuel in Lincoln, effective January 1, 2004. An amount equivalent to 5 cents per gallon would raise about $92.1 million over 12 years.
- Seek voter approval for a $6 million General Obligation (GO) bond for sidewalk maintenance in existing neighborhoods.
- Seek voter approval for a $96.5 million General Obligation (GO) bond for street rehabilitation in existing areas and for new construction.
- Utilize Highway Allocation Bonds to "smooth out" revenue over the 12 year period.
- Should the GO bonds not receive initial voter approval, a second attempt should be made to gain approval.
- Should the Occupation Tax and the Wheel Tax changes not be approved, the City should approach the State about authorization for a local sales tax dedicated to street construction and maintenance.

Watershed Management

Over the 12 year planning period, the watershed management system will need to raise about $49 million in additional revenues to meet projected needs. (Note: Inflation is not factored into these projections.)

- Continue General Obligation bond funding, although amounts and frequency of such bonding will likely increase.
- Continue to support stormwater management utility legislation in the Unicameral
- Recognize projected 12 year shortfall does not include certain deficiencies in existing storm drainage system and potential cost to meet Federal water quality standards.

Parks and Recreation

Over the 12 year planning period, the parks and recreation system will need to raise about $12 million in additional revenues to meet projected needs. (Note: Inflation is not factored into these projections.)

- Work with Lincoln Public Schools to fund shared community space, estimated to cost a little over $7 million.
- Support the use of impact fees for constructing parks and trails in growth areas.

~ Affirm Greenway and Open Space concepts in Comp Plan and proceed with community discussion on how to fund the Plan's recommendations.

~ Support a General Obligation bond for $3.5 million for trail system rehabilitation.

Legislation

Effective public infrastructure financing involves many legal complexities. Laws at all levels of government affect how infrastructure is financed.

3 Legislative priorities at the State should be: (1) Stormwater Utility Authorization Legislation; (2) Fuel Sales Tax; (3) Design-Build Authority; and, (4) Municipal Infrastructure Redevelopment Funds (MIRF).

3 Support legislation authorizing creation of local level of stormwater utilities.

3 Recommend local occupation tax on retail sale of fuel.

3 Support legislation authorizing "design-build bidding."

3 Support continuation of State Municipal Infrastructure Redevelopment Fund (MIRF).

3 Support continuation of Federal Reauthorization Legislation for streets and highways.

Implementation

The need to move swiftly to implement the recommendations of this process is paramount. It can literally take years to fully implement the recommended funding strategies and to effectively program the funds.

q Create public-private coalition to oversee implementation phase.

q Keep MIFC and Work Group members involved in implementation phase.

q Undertake community education program on infrastructure financing needs.

q Establish marketing effort for recommended funding options.